

---

## CONTENTS

---

**Diversification Patterns and Long-term Corporate Performance**

- S. De, *University of Wisconsin-Madison, Madison, Wisconsin, USA* . . . . . 1

**Shark Repellents and The Role of Institutional Investors in Corporate Governance**

- A. Agrawal, *Division of Economics & Business, North Carolina State University, Raleigh, NC, USA* and G. N. Mandelker, *Katz Graduate School of Business, University of Pittsburgh, Pittsburgh, PA, USA* . . . . . 15

**Monitoring Costs as a Basis for the Dispersion of Firm Ownership**

- T. Jaditz, *Bureau of Labor Statistics, Washington, DC, USA* . . . . . 23

**Is Economic Efficiency the Driving Force Behind Mergers?**

- W. F. M. De Bondt and H. E. Thompson, *University of Wisconsin, Madison, WI, USA* . . . . . 31

**Cross-ownership as a Hostage Exchange to Support Collaboration**

- E. Perotti, *Boston University, Boston, MA, USA* . . . . . 45

**Managerial Compensation and the Agency Costs of Debt Finance**

- J. A. Brander, *University of British Columbia, Canada* and M. Poitevin, *Université de Montréal, Canada* . . . . . 55

**Executive Compensation and the Performance of the Firm**

- W. Lewellen, *Purdue University, West Lafayette, IN, USA*, C. Loderer, *Universitat Bern, Switzerland*, K. Martin, *University of Iowa, Iowa City, IA, USA* and G. Blum, *University of Nevada-Reno, Reno, NV, USA* . . . . . 65

**Horizontal Shareholding Interlocks**

- D. Flath, *North Carolina State University, Raleigh, NC, USA* . . . . . 75

## BOOK REVIEWS

**The Measurement of Durable Goods Prices: R. J. Gordon**

- Reviewed by F. C. Wykoff . . . . . 79

**Made in America: Regaining The Productive Edge: M. L. Dertouzos, R. K. Lester, R. M. Solow and the MIT Commission on Industrial Productivity**

- Reviewed by L-H Röller and M. M. Tombak . . . . . 83

**A Course in Microeconomic Theory: D. M. Kreps**

- Reviewed by J. Cremer . . . . . 85

**Regulation of the Firm and Natural Monopoly: M. Waterson**

- Reviewed by T. P. Lyon . . . . . 86

- CALL FOR PAPERS . . . . . 89

---

## CONTENTS

---

**Decision Making in Mergers: An Application of the Analytic Hierarchy Process**

- P. Bagchi, *The George Washington University, Washington, DC, USA* and R. P. Rao, *Texas Tech University, Lubbock, TX, USA* . . . . . 91

**Technology, Dependent Investments, and Discounting Rules for Corporate Investment Decisions**

- E. Talmor, *Tel-Aviv University, Israel* and *University of California, Irvine, USA* and H. E. Thompson, *University of Wisconsin-Madison, USA* . . . . . 101

**Ramsey Pricing in the Presence of Risk**

- S. K. Berry, *Hendrix College, Conway, ARK, USA* . . . . . 111

**Accounting Methods and Managerial Discretion: The Case of Dollar-Value LIFO**

- T. L. Shaftel, *University of Kansas, Lawrence, KANSAS, USA* . . . . . 119

**Competition Under Continuous Technological Change**

- M.-J. Tang, *University of Illinois at Urbana-Champaign, Champaign, IL, USA* and Z. S. Zannetos, *Formerly the Sloan School of Management, MIT, MA, USA* . . . . . 135

**The Dynamics of Cost-plus Pricing**

- W. Hanson, *Purdue University, West Lafayette, IN, USA* . . . . . 149

**Analysis and Modeling of Recent Business Failures in Greece**

- C. Papoulias, *The American College of Greece* and P. Theodossiou, *Clarkson University, Potsdam, NY, USA* . . . . . 163

**BOOK REVIEW****Handbook of Industrial Organization: R. Schmalensee and R. Willig (Eds.)**

- Reviewed by M. Waterson . . . . . 171

---

## CONTENTS

---

### Special Issue

#### The Economics of Retail Activities

Editors: R. Betancourt and D. Gautschi

- Introduction:** R. Betancourt and D. Gautschi . . . . . 179
- A Service-based Theory of Retail Banking**  
E. E. Hanak, *University of Maryland, College Park, MD, USA* . . . . . 183
- Retail Pricing: Does Channel Length Matter?**  
A. T. Coughlan, *Kellogg Graduate School of Management, Northwestern University, IL, USA* and R. Lal, *Graduate School of Business, Stanford University, CA, USA* . . . . . 201
- Promoting to Strategic Consumers**  
R. C. Rao, *The University of Texas at Dallas, TX, USA* . . . . . 215
- An Econometric Model of a Retail Firm**  
B. T. Ratchford, *State University of New York at Buffalo, NY, USA* and G. T. Stoops, *Bowling Green State University, OH, USA* . . . . . 223
- Changes in Comparative Price and Changes in Market Share: Evidence from the BLS Point-of-Purchase Survey**  
M. Reinsdorf, *Bureau of Labor Statistics, Washington, DC, USA* . . . . . 233
- Retailer—Manufacturer Price and Profit Relationships along the Advertising Life Cycle: An Empirical Examination**  
Y. Lieberman, *Bar Ilan University, Israel* and A. Ayal, *Israeli Navy, IDF, Israel* . . . . . 247
- The Areal Dynamics of the Daily Products Retail Trade: A Case Study from the Market Area of Vaasa, Finland**  
K. Mikkonen, *University of Vaasa, Finland* . . . . . 255
- A Systems Approach to Measuring Retail Structure in Germany and the Netherlands**  
A. Sybrandy, *Penn State University, PA, USA* and R. Tuninga, *Rutgers University, NJ, USA* . . . . . 267

---

## CONTENTS

---

**Personal Taxes and the Underpricing of Initial Public Offerings**

- K. Dandapani, R. Dossani, A. J. Prakash and M. A. Reside, *Florida International University, Miami, FL, USA* . . . . . 279

**The Economics of Decision Making in the New Manufacturing Firm**

- J. R. McNamara, *Lehigh University, Bethlehem, PA, USA* . . . . . 287

**A Two-part Incentive Scheme to Implement Productive Efficiency Over Time**

- M-Y. S. Tam, *University of Illinois at Chicago, IL, USA* . . . . . 295

**Portfolio Management Using a Factor-analytic Stock Selection Strategy**

- S. G. Badrinath, *College of Business, Northeastern University, Boston, MA, USA* and  
O. Kini, *Penn State University, USA* . . . . . 305

**Ownership Structure and Corporate Liquidity Policy**

- G. J. Papaioannou, *School of Business, Hofstra University, Hempstead, NY, USA* and  
E. Strock and N. G. Travlos, *Wallace E. Carroll School of Management, Boston College, Chestnut Hill, MA, USA* . . . . . 315

**The Concept of Strategic Groups: Theoretical Construct or Analytical Convenience**

- M.-J. Tang and H. Thomas, *University of Illinois at Urbana-Champaign, Champaign, IL, USA* . . . . . 323

**International Joint Ventures: Theoretical Considerations**

- C.-M. J. Yu and M.-J. Tang, *University of Illinois at Urbana-Champaign, Champaign, IL, USA* . . . . . 331

**The Effects of Ownership Structure and Diversification Strategy on Performance**

- A. Belkaoui, *University of Illinois at Chicago, Chicago, IL, USA* and E. Pavlik, *Loyola University of Chicago, Chicago, IL, USA* . . . . . 343

**A Mechanism for Reducing Small-business Customer Waiting-line Dissatisfaction**

- G. E. Martin, *School of Management, Clarkson University, Potsdam, NY, USA*,  
J. L. Grahm, *School of Business & Economics, University of Minnesota-Duluth, Duluth, MN, USA*,  
L. D. Pankoff, *John M. Olin School of Business, Washington University, St. Louis, MO, USA* and  
L. A. Madeo, *School of Business, University of Missouri-St. Louis, St. Louis, MO, USA* . . . . . 353

**Tax Wedges, Bid-Ask Spreads, and International Financial Parity Conditions**

- J. A. Schnabel, *Wilfrid Laurier University, Waterloo, Ontario, Canada* . . . . . 363

**BOOK REVIEW****Game Theory: Analysis of Conflict: R. B. Myerson**

- Reviewed by J. Hamilton . . . . . 369

---

## CONTENTS

---

<b>Investment and Pricing Strategies of Competing Firms: A Computational Approach</b> H. Kivijärvi and M. Soismaa, <i>Helsinki School of Economics and Business Administration, Finland</i> . . . . .	371
<b>Price Uncertainty and the Effect of Capital Costs in a Point in—Point out Inventory Investment</b> A. Thorstenson and P. Hultman, <i>Linköping Institute of Technology, Sweden</i> . . . . .	389
<b>The Measurement of the Gains or Losses to an Enterprise Through Relative Price Changes: the Terms-of-trade Effect and Real Income</b> M. Silver, <i>Cardiff Business School, University of Wales College of Cardiff, UK</i> . . . . .	399
<b>Capital Budgeting with Technology Choice and Demand Fluctuations in a Simple Manufacturing Model: Sample Calculations and Observations on Output Flexibility</b> G. Aranoff, <i>Jerusalem College of Technology, Jerusalem, Israel</i> . . . . .	409
<b>Investment in Salvage Equipment</b> P. M. Mangiameli and S. G. Rhee, <i>The University of Rhode Island, Kingston, RI, USA</i> and G. F. Tannous, <i>University of Saskatchewan, Saskatoon, Saskatchewan, Canada</i> . . . . .	421
<b>Technical Efficiency of For-profit and Non-profit Nursing Homes</b> J. L. Fizel and T. S. Nunnikhoven, <i>School of Business, Penn State—Erie, PA, USA</i> . . . . .	429
<b>Information and Decision Making: A Search for Method and Understanding</b> P. Moon, <i>Warwick Business School, UK</i> and K. Keasey, <i>University of Leeds, UK</i> . . . . .	441
 NOTE	
<b>Broken Sticks—Why Mergers May Fail to Garner Market Share</b> J. J. Gilman, <i>Lawrence Berkeley Laboratory, Berkeley, CA, USA</i> . . . . .	453
 BOOK REVIEW	
<b>Antitrust Economics: O. E. Williamson</b> Reviewed by D. L. Kaserman . . . . .	457
<b>ANNOUNCEMENT AND CALL FOR PAPERS</b> . . . . .	462

---

## CONTENTS

---

<b>Organizational Structure and the Internal Economy of the Firm: The UK Insurance Industry</b> H. Ingham, <i>UMIST, Manchester, UK</i> . . . . .	463
<b>LIFO Adoption and Dividend Payout</b> J. Y. Kim, <i>California State University at Los Angeles, USA</i> and M. Ettredge, <i>Washington State University, USA</i> . . . . .	475
<b>Mutually Related Firms and the Rationality of Producing Nothing</b> P. W. Dobson, <i>University of Nottingham, UK</i> . . . . .	485
<b>Executive Compensation, Method of Payment and Abnormal Returns to Bidding Firms at Takeover Announcements</b> N. G. Travlos, <i>Boston College, MA, USA</i> and J. F. Waagelein, <i>University of Kansas, KS, USA</i> . . . . .	493
<b>The Factors Determining the Profitability of International Airlines: Some Econometric Results</b> A. Antoniou, <i>University of the Witwatersrand, South Africa</i> . . . . .	503
<b>Corporate Growth, Corporate Strategy, and the Choice of Capital Structure</b> W. A. Kracaw, <i>Pennsylvania State University, PA, USA</i> , W. G. Lewellen and C. Y. Woo, <i>Purdue University, West Lafayette, IN, USA</i> . . . . .	515
<b>Graphical Analysis and Financial Classification: A Case Study</b> S. Chatterjee and V. Srinivasan, <i>Northeastern University, USA</i> . . . . .	527
 NOTES	
<b>Note: Some Differences Between Licensed and Internalized Transfers of Machine Tool Technology: An Empirical Note</b> H. Davies, <i>Hong Kong Polytechnic, Hong Kong</i> . . . . .	539
<b>A Note on the Equitable Treatment of Mergers</b> G. G. Szpiro, <i>Hebrew University of Jerusalem, Israel</i> . . . . .	543
CALL FOR PAPERS . . . . .	547
AUTHOR INDEX . . . . .	548
VOLUME CONTENTS . . . . .	iii



